

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 GSA-01 INT-05

IO-13 COME-00 CEA-01 CIEP-01 SP-02 CIAE-00 INR-07

NSAE-00 DODE-00 L-03 H-02 OMB-01 SS-15 NSC-05 TRSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY LA PAZ PRIORITY

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS:

SUBJECT: PENDING LEGISLATION ON TIN DISPOSAL

REF: LAPAZ 6707 (NOTAL)

DEPARTMENT APPRECIATES BOLIVIAN SENSITIVITY RE TIN DISPOSALS

AND EMBASSY'S INTEREST IN BEING KEPT INFORMED DEVELOPMENTS

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RELATING TO TIN.

DEPARTMENT'S 137917 OF JUNE 5 OUTLINED THE THEN CURRENT STATUS OF PENDING LEGISLATION ON TIN DISPOSALS. SUBSEQUENTLY CONGRESSIONAL INTEREST HAS FOCUSED ON THE PRICE BILL WHICH WOULD AUTHORIZE GSA TO SELL 28,000 LONG TONS OF GRADE A TIN. PRICE BILL WAS CONSIDERED LAST WEDNESDAY BY SENATE COMMITTEE ON ARMED SERVICES' SUBCOMMITTEE ON NATIONAL STOCKPILE AND NAVY PETROLEUM RESERVES AND ON THURSDAY BY HOUSE COMMITTEE ON ARMED SERVICES' SUBCOMMITTEE ON SEA POWER AND STRATEGIC AND CRITICAL MATERIALS. IN ADDITION TO TIN, CONGRESS ALSO IS CONSIDERING BILLS TO INCREASE DISPOSAL LEVELS FOR ANTIMONY, SILVER AND INDUSTRIAL DIAMONDS.

IT IS DIFFICULT TO ASSESS POSSIBILITY OF CONGRESSIONAL APPROVAL FOR INCREASED DISPOSAL AUTHORITY. WHILE THE ADMINISTRATION STRONGLY SUPPORTS THE INCREASES, AND THE LEGISLATION APPARENTLY HAS SUFFICIENT SUPPORT WITHIN CONGRESS FOR PASSAGE, CONGRESS WILL RECESS EARLY OCTOBER AND MAY NOT HAVE SUFFICIENT TIME BEFORE RECESS FOR SUBCOMMITTEES, COMMITTEES AND HOUSE AND SENATE TO CONSIDER LEGISLATION. ON BALANCE, WE BELIEVE CHANCE OF PASSAGE IS BETTER THAN EVEN.

GSA'S POSITION IS THAT IT PREPARED TO SELL AT ANY TIME THERE IS SUFFICIENT BUYER INTEREST, BUT THAT BUYERS WILL SET PRICE TONE OF MARKET AND GSA WILL TRY TO FOLLOW MARKET AND THUS REMAIN A NEUTRAL FACTOR IN MARKET. THIS MEANS THAT, IN GENERAL, GSA WILL SELL TIN WHEN MARKET IS RISING AND WILL MODERATE SALES WHEN PRICES ARE FALLING.

GSA WOULD NOT SELL THE FULL 28,000 TONS IN ONE SINGLE TRANSACTION. HOWEVER, SINCE SALES ARE BASED ON SUPPLY-DEMAND OUTLOOK, IT IS POSSIBLE THAT GSA MIGHT SELL TOTAL AMOUNT IN FY 77 IF DEMAND IS SUFFICIENTLY STRONG AND IF PRODUCERS ARE UNABLE TO MEET DEMAND REQUIREMENTS. THIS HAPPENED IN 1973-74 WHEN WORLD DEMAND INCREASED DRAMATICALLY AT A TIME WHEN PRODUCERS WERE UNABLE TO PRODUCE SUFFICIENT TIN TO MEET DEMAND. GSA STEPPED-UP SALES TO 19,606 TONS IN 1973 AND 23,544 TONS IN 1974 WITH LITTLE EFFECT ON TIN PRICES WHICH CONTINUED TO RISE UNTIL LATE 1974 WHEN RECESSION BEGAN LIMITED OFFICIAL USE

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TAKING EFFECT IN U.S., JAPAN AND EUROPE.

IN ANY CASE, IF CONGRESS APPROVES THE 28,000 TONS INCREASE IN DISPOSAL AUTHORITY, GSA WILL GIVE DUE REGARD WORLD SUPPLY-DEMAND SITUATION FOR TIN IN DEVELOPING ITS SALES PROGRAM AND USG, AS IN PAST, WILL CONSULT WITH INTERNATIONAL TIN COUNCIL AND INDIVIDUAL PRODUCER COUNTRIES PRIOR TO IMPLEMENTATION OF SALES PROGRAM. IN THIS MANNER WE BELIEVE

PRODUCERS WILL BE ADEQUATELY PROTECTED FROM UNDUE DISRUPTION.

FYI: BOLIVIAN AMBASSADOR CALLED IN ARA ASSISTANT SECRETARY SHLAUDERMAN ON AUGUST 30 (SEE SEPTTEL) TO DISCUSS GSA TIN SALES POLICY. TO OUR KNOWLEDGE, BOLIVIANS HAVE NOT FILED POSITION PAPERS WITH EITHER HOUSE OR SENATE SUBCOMMITTEES, BUT WE UNDERSTAND HAVE HAD DISCUSSIONS WITH HOUSE SUBCOMMITTEE STAFF MEMBERS. MALAYAN TIN BUREAU, TO THE CONTRARY, SUBMITTED WRITTEN BRIEFS TO BOTH SUBCOMMITTEES, GENERALLY APPROVING THE INCREASED DISPOSAL AUTHORITY FOR TIN.

TIN PRICES HAVE BEEN VERY BUOYANT SINCE LAST APRIL AND EXCEEDED ITC CEILING PRICES IN JULY AND EARLY AUGUST. SINCE THEN, PRICE HAS BEEN NEAR CEILING LEVEL, DESPITE THE NORMAL SUMMER TURNDOWN IN DEMAND FOR TIN PLATE. AS STEEL PRODUCTION PICKS UP THIS FALL, DEMAND IS EXPECTED TO INCREASE CONSIDERABLY AND PRICE IS EXPECTED TO AGAIN EXCEED TIN COUNCIL CEILING LEVEL, PARTICULARLY SINCE THE TIN COUNCIL BUFFER STOCK HAS VERY LITTLE TIN WITH WHICH TO DEFEND CEILING. UNDER THESE CIRCUMSTANCES, GSA TIN SALES WOULD NOT UNDULY AFFECT INTERNATIONAL TIN SALES OR PRICES.

ALL OF THE ABOVE MAY BE DISCUSSED WITH GOB. KISSINGER

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